

# **Certification of Proficient Controls, Processes and Procedures**

**CDBG-DR Public Law 114-223/254 Grants**

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# Scope of Review

North Carolina has a strong CDBG infrastructure in place both within the state government and in the four most affected counties as identified by HUD in its allocation. The North Carolina Department of Commerce (DOC) is the designated grantee for the annual State allocation of CDBG funds received by the state for use in counties and cities which are not entitlement cities and counties. Within the four counties designated by HUD to receive 80% of the funds are three CDBG entitlement cities, Fayetteville (Cumberland County), Goldsboro (Wayne County), and Rocky Mount (Edgecombe County), and one entitlement county which is Cumberland.

The North Carolina Department of Commerce is the grantee for CDBG-DR funds. The grantee will use a Memorandum of Agreement (MOA) in the form and format of a subrecipient agreement to engage other state departments and agencies with institutional experience and expertise related to addressing the defined unmet needs and delivering the programs and activities in response to the unmet needs as identified in the Action Plan. The agreement will specify roles and responsibilities of partner agencies consistent with the CDBG-DR guidelines, the Action Plan, and the deliverable timeline set forth in the Action Plan.

Within the four counties to receive a minimum of 80% of the CDBG-DR allocation, Edgecombe, Cumberland, Robeson, and Wayne, there are 41 units of general local government (UGLG) plus the 4 county governments for a total of 45 UGLGs.

The North Carolina DOC as the grantee for the annual State allocation of CDBG employs a competitive grant program based on addressing specific unmet needs and targeted activity areas for which all non-entitlement UGLGs are eligible to apply. Subrecipient agreements are used with those UGLGs which are awarded grants through these programs.

Based on the CDBG experience, should it be determined through the unmet needs assessment and the planned programs and activities to be reflected in the CDBG-DR Action Plan to respond to the unmet needs, that an effective method of delivery for certain activities and programs in the Action Plan can be through partnerships with UGLGs in the four primary counties, the CDBG competitive process will be employed with one difference. The difference will include the State's hybrid approach with UGLG's and the State implementing program activities.

# Financial Control

The State of North Carolina has the financial systems and internal controls to certify proficiency in financial management and compliance with HUD CDBG-DR requirements. The sections below outline key components of the State's financial management processes, specifically the annual Single Audit and Comprehensive Annual Financial Report.

## Single Audit

The State of North Carolina is in compliance with the Single Audit requirements. An Independent Auditor, within the North Carolina Office of the State Auditor, audits the State every year. The audit is conducted in accordance with standards contained in Government Auditing Standards issued by the Comptroller General of the United States, the requirements of the Single Audit Act Amendments of 1996, and the provisions of the Office of Management and Budget Circular A-133, which is now codified in 2 CFR Part 200, Subpart F. The most recent Single Audit is attached to this document and can be located on the public website at <http://www.ncauditor.net/pub42/SingleAuditsList.aspx>. The audit does not indicate any material weaknesses, significant deficiencies, or questioned costs within the Department of Commerce or Department of Public Safety.

## Annual Financial Statement

The Comprehensive Annual Financial Report (CAFR), which was prepared by the North Carolina Office of the State Controller, is attached to this document. The CAFR is also available on the public website at <https://osc.nc.gov/public-information/2016-cafr>.

The report was completed in accordance with generally accepted accounting principles (GAAP) in the United States of America. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Carolina for the CAFR - fiscal year ended June 30, 2015. This was the 22nd consecutive year (1994 to 2015) the State has received the prestigious national award. The report does not indicate any material weaknesses, significant deficiencies, or questioned costs within the Department of Commerce or Department of Public Safety.

# Procurement Processes

Procurements for CDBG Disaster programs are governed by those specific procurement requirements set forth under 24 CFR Part 570 and 2 CFR 200.318-200.326 and all applicable state laws and regulations. Aligned with the requirements of these federal regulations, when procuring goods or services to be paid for in whole or in part with CDBG funds, North Carolina shall follow its own procurement policies as those procedures are equal to or more stringent to the federal procurement requirements. Furthermore, the state of North Carolina ensures that each procurement will occur with full and open competition.

In North Carolina, the central authority over purchasing goods and services for all State departments, institutions and agencies is vested in the Department of Administration, and by delegation, in its Division of Purchase and Contract (P&C) through the State Purchasing Officer (SPO). North Carolina has a two-tiered procurement system for state agencies. Agencies have direct authority to make purchases below a certain dollar threshold. Above that amount, procurements are handled or delegated by the SPO. North Carolina has two types of delegations – general and special. The differences between these delegations are fully explained in North Carolina's Procurement Manual located at: [http://www.doa.nc.gov/pandc/documents/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](http://www.doa.nc.gov/pandc/documents/Procurement_Manual_5_8_2013_interactive.pdf) and as attached for reference.

The policies and procedures of each agency expending any CDBG-DR funds will include ethical standards of conduct governing employees engaged in the award or administration of CDBG-DR contracts. Each agency will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. Conflict of Interest provisions listed at 2 CFR 200.318(i) and all other applicable federal regulations will be incorporated into the policies and procedures of each agency ultimately ensuring compliance with 2 CFR 200.318(i).

Generally, the governing statutes can be found at Title 1, Administration, Chapter 5, Purchase and Contract, of the North Carolina Code of Laws. Procurements subject to the North Carolina Procurement Code are also governed by procurement regulations issued by North Carolina's Department of Administration. The methods of procurement to be followed (e.g., small purchase, sealed bids/formal advertising, competitive proposals, and noncompetitive proposals) is documented within the State's Procurement Manual beginning with Section 1.3, Procurement Methods to be Followed. Procurements in which payment is calculated as cost-plus-a-percentage-of cost are prohibited by the State of North Carolina. Governing statutes referenced above can be located at: <http://reports.oah.state.nc.us/ncac.asp?folderName=\Title%201%20-%20Administration\Chapter%205%20-%20Purchase%20and%20Contract>.

As outlined in the table below and in North Carolina's Procurement Code and Regulations, the state uses a variety of competitive source selection processes, including simplified "small purchase" procedures (\$5,000 or under), competitive procedures for solicitations over \$5,000 and up to \$10,000, competitive procedures for solicitations greater than \$10,000 and lastly,

competitive procedures for procurements greater than \$100,000. Any solicitation for \$1 million for supplies, materials, printing, equipment, and contractual services must be reviewed by North Carolina's Attorney General or his designee prior to advertisement. The State of North Carolina will ensure that all opportunities be made available for small and minority owned businesses.

North Carolina's procurement policies of the state align with the requirements set forth under 2 CFR 200.318-200.36 ensuring fair and open competition. Further ensuring consistency with federal requirements, North Carolina will ensure that all purchase orders and/or contracts include all clauses required by Federal statutes, executive orders and implementing regulations. The attached document titled, "Federal Procurement Requirements" will be used by each agency (in addition to the existing policies and procedures) as a check and balance, prior to issuing any solicitations, to ensure adherence to federal procurement requirements.

The following table provides a cross-walk between the federal regulatory requirement and its counterpart under North Carolina's procurement laws:

**Table 1: Federal Regulations and North Carolina Procurement Crosswalk**

<b>Federal Citation</b>	<b>Short Title</b>	<b>North Carolina Administrative Code &amp; North Carolina, Department of Administration Procurement Requirements</b>	<b>Short Title</b>
<b>2 CFR 200.318(a)</b>	General Documented Procurement Standards	Section 1 – Procurement – Procurement Manual	Procurement
<b>2 CFR 200.318(b)</b>	Contractor Oversight	State of North Carolina, Contract Administration & Monitoring Guide, <a href="http://www.pandc.nc.gov">http://www.pandc.nc.gov</a> , Pg. 5,	Contractor Administrator Responsibilities
<b>2 CFR 200.318(c)</b>	Conflict of Interest provisions	Pg. 115, R.1.7 – Procurement Manual, Executive Order 24	Gifts to State Employees
<b>2 CFR 200.318(i)</b>	Maintain Records detailing history of procurement	Pg. 92, Section 7.5 – Procurement Manual	Record Retention
<b>2 CFR 200.319</b>	Competition	Pg. 67, Section 5.5 – Procurement Manual	Competitive Negotiation
<b>2 CFR 200.320</b>	Methods of Procurement to be Followed	Pg. 10, Section 1.1, Pg. 14, Section 1.3, Pg. 47, Section 3.3 – Procurement Manual	Consideration in Determining Appropriate Procurement Method, Procurement Methods, Determining

<b>Federal Citation</b>	<b>Short Title</b>	<b>North Carolina Administrative Code &amp; North Carolina, Department of Administration Procurement Requirements</b>	<b>Short Title</b>
			the Solicitation Method
<b>2 CFR 200.321</b>	Contracting with M/WBE, etc.	Pg. 58, Section 4.4.4, Pg. 107, R.1.1 – Procurement Manual	General State Requirements, Executive Order, HUB Status
<b>2 CFR 200.323</b>	Contract Cost and Price Checklist	Adherence to 2 CFR 200.323 will be achieved through each agency using the “Federal Procurement Requirements” (Document Attached)	Federal Procurement Requirements
<b>2 CFR 200.324</b>	Federal Awarding Agency or pass-through Entity Review	Adherence to 2 CFR 200.324 will be achieved through execution of implementation of HUD Grant Agreement	HUD Grant Agreement
<b>2 CFR 200.325</b>	Bonding Requirements	Pg. 58, Section 4.4.6 – Procurement Manual	Insurance Coverage
<b>2 CFR 200.326</b>	Federal Contract Provisions	Pg. 27, Section 1.3.15 – Procurement Manual and “Federal Procurement Requirements (Document Attached)	Federal Grants, Federal Procurement Requirements

# Procedures for Prevention of Duplication of Benefits

The North Carolina Division of Emergency Management (NCEM) will implement the following procedures to ensure that Community Development Block Grant (CDBG-DR) assistance does not duplicate prior assistance for the same purposes (76 FR 71060, 11/16/11). As the subrecipient for the CDBG-DR Program, NCEM will provide a uniform process for the prevention of Duplication of Benefits (DOB) that includes but not limited to:

- A.** Ensuring that all resources received undergo a third-party verification process. This includes verifying assistance received from FEMA, SBA, NFIP, private insurance, non-profit/profit agencies and organizations in each grantees community. A survey and a Consent to Release form signed by each household and forwarded to all known agencies for each applicant. NCEM grant managers or caseworker or others assigned to work with the applicant will attempt to retrieve this information three times. The North Carolina Due Diligence and Inactive Status Process will be used when an agency or applicant is non-responsive to request for information.
- B.** An unmet needs analysis will be conducted for each applicant, utilizing the formula that is outlined in the Federal Register as noted above. The calculation demonstrates what funds were received for real and personal property, verified receipts and the amount that will be owed by the applicant (if applicable). The case manager will follow the Verification of Receipts Procedure and the Due Diligence and Inactive Status Process. If there is a policy question that includes a request for an exception, the lead contact from the Local Government grantee or contractor are required to submit a Policy Exception Form that sets out the policy that is being considered and why an exception is needed. The request will be reviewed and discussed by the grantee and subrecipient Project Manager. The NCEM may discuss concerns with Department of Commerce (DOC) to ensure compliance with CDBG-DR. After the DOB analysis is completed, the applicant and the case manager will sign the applicant DOB worksheet that includes all funds receive for repairs or other needs and the final DOB amount (if applicable). A final worksheet will be forwarded to DOC for review and approval.
- C.** Beneficiaries of CDBG-DR are required to sign a Duplication of Benefits Certification Form (subrogation agreement). The applicant certifies and agrees to repay any assistance received for the same purpose.
- D.** To assist local government grantees and contractors, NCEM will establish agreements with other disaster funding agencies to share information related to funding received for disaster assistance by an applicant. NCEM has worked closely with FEMA, SBA, and NFIP through its FEMA Programs for many years. Local Government grantees and contractors will be required to establish the same mechanisms with insurers, known non-profit agencies, and organizations that assisted applicants within the affected communities. Grants managers and caseworkers are responsible for sending out the third-party verification survey on each applicant, to the same identified agencies and or others



identified by the applicant on their CDBG-DR Application. The Due Diligence and Inactive Status Process is the tool used to ensure that there is clear communication with applicants regarding their status and the purpose of the DOB verification process. The information received is used to establish the amount received for the DOB calculation.

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### ***Attachments:***

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1. Duplication of Benefits Policy
2. DOB Certification Form
3. DOB Consent to Release Form
4. Verification of Receipts Process
5. SBA Hardship Forms
6. Due Diligence and Inactive Status
7. Policy Exception Form
8. DOB Worksheet Final Approval (an applicant worksheet will also be available).

# Procedures to Determine Timely Expenditure

Congress has set a 6 year expenditure period on funds allocated through PL 114-245. 82 FR 5591, "Allocations, Common Application, Waivers and Alternative Requirements for Community Development Block Grant Disaster Recovery Grantees" states that: "Each grantee must expend 100% of its allocation of CDBG-DR funds within 6 years of HUD's execution of the Grant Agreement." As a grantee to funds allocated by PL 114-245 and given the rules stated by the Federal Register Notice the State of North Carolina has developed these procedures to ensure timely expenditure of funds.

The State of North Carolina has divided management roles between the Department of Commerce (DOC) and the North Carolina Department of Emergency Management (NCEM). DOC will have the responsibility to review expenditures and drawdown funds within HUD's Disaster Recovery Grant Reporting (DRGR) system. NCEM will be the agency approving expenditures from any of its own vendors and contractors as well as reviewing expenditures submitted by all program partners and sub-recipients. Given this division of responsibilities both agencies will work collaboratively to ensure that all funds are expended and drawn down by the 6 year deadline.

## Department of Commerce

DOC currently is the Lead Agency for the State of North Carolina's State annual State allocation of CDBG. As part of the Action Plan process, DOC and NCEM will work together to develop expenditure projections and milestones. These projections and milestones will serve as a roadmap for DOC and NCEM to monitor guide for the State to ensure timely expenditure of funds. DOC uses its own Grant Management System (GMS) as a centralized data system for their State CDBG program. DOC will use this system as a method to track grant budgets and drawdowns. DOC is also a recipient of HUD's Neighborhood Stabilization Program (NSP). The NSP program and the CDBG-DR uses the same DRGR system. DOC has experience with this system and will use it to pull information about drawdowns. A Drawdown Projection Report, with data from DRGR, will be used in tandem with the Action Plan projections to show the pace of drawdowns and alignment with the 6 year drawdown deadline.

## North Carolina Emergency Management

NCEM is the agency in charge of implementing the State's CDBG-DR programs. NCEM is in the process of procuring MB3's EM Grants system. In addition to EM Grants, NCEM has the ability to deploy a custom Salesforce based data and document management system. This system has been successfully used by previous CDBG-DR Grantees as a management platform. Salesforce will be used as the grants management tool for the CDBG-DR Grant. These systems will track expenditures by vendors and contractors managed by NCEM as well as expenditures submitted by program partners and sub-recipients. These systems will also track expenditure progress

across the State's programs and individual projects. Reports from these systems will provide the insight into the expenditures currently being processed and tracked.

### **Interagency Coordination and Reallocation of Funds**

DOC and NCEM will meet regularly to discuss expenditures and drawdown. DOC will provide reporting regarding drawdown progress and NCEM will provide reporting regarding expenditure progress. These meetings will be used to strategize around the 6 year expenditure deadline. During these meetings both groups will identify programs or projects that are may not meet the expenditure deadline. This group will provide recommendations regarding these activities that may be stalled. The State will review these recommendations as well as reassess any potential remaining unmet needs. The State will then begin the process to re-program funds to other activities.

# Procedures to Detect Fraud, Waste, and Abuse

The North Carolina Department of Public Safety Emergency Management (NCEM) has established a procedure to detect fraud, waste, and abuse. As the sub-grantee for the North Carolina Community Development Block Grant Program, the NCEM has established a procedure through the attached Fraud, Waste and Abuse Procedure and the Monitoring Plan. The Duplication of Benefits Procedure also supports this effort.

In addition, the monitoring plan describes the objectives of the plan:

## The objectives:

- To determine if an entity is carrying out its activities in a timely manner in accordance with the terms of its grantee agreement.
- To determine if costs are eligible and reasonable.
- To determine if entities have adequate controls to minimize waste mismanagement, fraud and abuse.
- To assess if the entity has a continuing capacity to carry out the project.
- To identify potential problems and to assist the grantee in complying with applicable laws.
- To resolve problems through discussion, negotiation, technical assistance and training.
- To ensure performance and compliance deficiencies are corrected and not repeated.
- To determine if conflict of interest exist.
- To ensure that required records are maintained i.e. rent occupancy, ownership, household income, Davis Bacon, etc.
- To conduct site visits/inspections of CDBG-DR assisted units to ensure that units are in compliance with regulations, code and ordinances.

## Elements of the Plan include:

- An Annual Risk Analysis is conducted to determine which recipients receive an on-site monitoring visit, the frequency of visits and if additional reporting and monitoring is required.
- Onsite monitoring and response schedule and the mechanism used to carry out the review.

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## Attachments:

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1. NC Fraud, Waste and Abuse Procedure
2. NC Monitoring Plan
3. Poster (needs additional information regarding contact numbers, a policy decision regarding responsible parties (NCEM or Commerce or both). Verification of the agency to receive a complaint if applicable.

4. Signed statement from the Internal Auditor describing his/her role in detecting fraud, waste, and abuse.

# Procedures to Maintain a Comprehensive Disaster Recovery Website

The State of North Carolina is currently creating and will maintain comprehensive websites for the Housing Urban Development (HUD), Community Development Block Grant-Disaster Recovery (CDBG-DR) in accordance with HUD requirements, as cited in Federal Register/Vol.81, No. 224/Monday, November 21, 2016. The websites serve as a central source for program public information and transparency.

The Lead Agency (i.e. Grantee) for North Carolina CDBG-DR has been designated as the Department of Commerce, Division of Community Assistance (DCA). This department is also the Lead Agency for the State's annual CDBG allocation. DCA currently manages websites associated with the State's CDBG program.

The North Carolina Department of Emergency Management (NCEM) has been identified as the agency responsible for implementing North Carolina's CDBG-DR Program. NCEM is also the lead agency for all other efforts with Hurricane Matthew recovery including FEMA IA, PA and HGMP programs. NCEM has developed a comprehensive website specific to Hurricane Matthew Recovery that will serve as a centralized information portal for all recovery activities.

The Department of Commerce and NCEM will have websites with CDBG-DR information. The Department of Commerce's website, located at [www.nccommerce.com](http://www.nccommerce.com), will include CDBG-DR information under the program tab titled Community Development Block Grant-Disaster Recovery (CDBG-DR). NCEM's website is located at [www.ncdps.gov](http://www.ncdps.gov) under the program tab titled Rebuild North Carolina. NCEM will have a Section (i.e. website page) titled Community Development Block Grant-Disaster Recovery CDBG-DR.

The information that will be available on the Department of Commerce website will include but may not be limited to:

1. The Unmet Needs Assessment
2. Action Plan and Amendments
3. DRGR Action Plan
4. Citizen Participation Plan
5. Announcements of Public Hearing
6. Quarterly Performance Reports (QPR); posted for 3 days to solicit comment before final submission to HUD. The final QPR will then be posted to a permanent section designated for Reporting.
7. A Link to NCEM Website for information about programs

The information that will be available on the NCEM website will include but may not be limited to:

1. A list and description of each CDBG-DR program
2. How to apply for assistance
3. Appeals Procedure
4. Portal for Citizen Complaints
5. Location of all project offices and hours of operation
6. List of all Sub-Recipients and Contractors
7. Names of staff, responsibilities and locations
8. Guidance memoranda
9. Program progress reports with photographs of progress
10. Procurement policies and procedures
11. Information regarding the status of services or goods currently being procured by the State for the CDBG-DR program will be posted in real-time during formal procurement processes (e.g., phase of the procurement, requirements for proposals, etc.). Once the procurement process is closed, these documents will be removed from the website and contracts for hired vendors will be posted.
12. Link to Department of Commerce Website

The website will be updated for the first six months on a monthly basis or as necessary until completely functional and, subsequently, it will be updated quarterly. The website will be updated by the Departmental Public Information Offices (PIO). The PIO offices in each department will have ownership of the websites. All contents from the designated program and fiscal staff will undergo draft review before the final posting. The PIO Office staff will set the schedule to receive information for the website in a timely manner from the appropriate staff.

Website locations will be printed on all program advertisements and outreach materials. The State of North Carolina adheres to ADA compliant standards for website accessibility and readability. Content and website layout will be designed with best practices for adaptive use in mind. The State supports accommodations for citizens with limited English proficiency and will publish program documents in languages based on the need of non-English speaking communities.

# Conclusion

In summary, the State has in place proficient controls, procedures, and management capacity to meet all HUD regulations. This includes financial controls, procurement processes and adequate procedures to prevent any duplication of benefits as defined by section 312 of the Stafford Act, to ensure timely expenditure of funds, and to detect and prevent waste, fraud, and abuse of funds.

The State has demonstrated the capability to effectively manage funds, ensure timely expenditure of funds, and maintain a comprehensive website regarding all disaster recovery activities assisted. In addition, the State has demonstrated adequate capacity to manage the funds and address capacity needs. Each of these areas is adequately addressed in this document and supporting files.



# Grantee's Certification

The State of North Carolina certifies the accuracy and validate of the response.